

[ b ]

The Picachos property in Durango, Mexico was acquired as part of the reverse take-over of Tango Mineral Resources Inc. At June 30, 2003, the net book value of the Picachos property on the accounting records of Tango was \$841,858. On the acquisition of Tango, the excess of the value of common shares issued over the fair value of net assets acquired, \$920,600, was attributed to the Picachos property.

[ c ]

Pursuant to an agreement between RNC and Carena Equities Corp. dated January 2002, RNC earned 10% of the Cerro Quema mine development project in 2002 upon completion of a positive feasibility study. RNC has executed an agreement to increase its equity interest in the property from 10% to 60% (refer to note 22(c)). The remaining 40% interest will be earned upon commissioning of the mine.

The Cerro Quema balance reflects the expenditures to date to prepare the feasibility study and maintain the property.

#### 10 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2003	December 31, 2002 \$
Trade payables to Nicaraguan vendors	\$81,530	786,175
Trade payables to North American vendors	1,387,403	539,293
Assumed from predecessor company	1,584,460	1,061,398
Accrued liabilities	1,420,094	—
	<b>4,967,487</b>	<b>2,386,866</b>

In 2000, Desminic assumed \$5,653,022 in accounts payable of a predecessor company. Through a Nicaraguan judicial process, these liabilities were used to acquire the concessions and assets associated with the La Libertad mine. The outstanding amount as at December 31, 2003 was \$1,584,460 (RNC's 50% portion as at December 31, 2002 - \$1,061,398).

#### 11 LONG-TERM DEBT

	December 31, 2003	December 31, 2002 \$
CORNAP (note 11(a))	3,058,450	1,573,500
Senior lender (note 11(b))	2,253,356	1,375,000
Nicaraguan bank debt (note 11(c))	584,285	317,521
Equipment debt (note 11(d))	1,694,155	1,130,694
—	7,590,776	4,396,715
Current portion	(3,787,284)	(1,232,244)
Long-term portion	3,803,453	3,164,471

[ a ]

As a result of the privatization in 1992 of the Hemco concessions, Hemco assumed an interest-bearing liability of \$9,000,000 to Corporaciones Nacionales del Sector Publico ("CORNAP"), a Nicaraguan government body. Interest is accrued at 1.5% per month. While this debt is not by its terms forgivable, the Company and the predecessor owners of Hemco have negotiated the forgiveness of the payments since 1997 as a result of infrastructure improvements made within the Hemco concessions, and will attempt to have all future payments forgiven on a similar basis. As at December

| notes to consolidated financial statements |

for the years ended December 31, 2003 and 2002  
(expressed in U.S. dollars, unless otherwise stated)

31, 2003, the outstanding balance was \$3,058,450 (RNC's 50% portion at December 31, 2002 - \$1,573,500), all of which is classified as long-term.

| b |

Effective December 6, 2002, Desminic entered into a prepayment agreement with an international bank for a maximum amount of \$3,500,000, of which \$2,750,000 was withdrawn during 2002. Semi-monthly principal payments of \$84,500 each commenced on April 13, 2003. Interest is calculated at 10% per annum. The bank is entitled to receive advance payments of principal based on a defined surplus cash flow calculation. The loan is secured by a general assignment of the concessions and the property, plant and equipment of Desminic. Desminic is required to sell all production to the senior lender. Desminic is required to maintain as defined in the agreement, a loan life ratio of 1.50:1, a project life ratio of 2.00:1 and a debt service coverage ratio of not less than 1.50:1.

During the year ended December 31, 2003, Desminic was in compliance with its debt covenants, with the exception of the debt service coverage ratio, which was not in compliance at certain periods throughout the year. Concurrent with negotiations with the senior lender that occurred in April 2004, the lender has waived any and all events of non-compliance and has confirmed that Desminic is in material compliance with all related debt covenants.

*Forbearance agreement*

Subject to an agreement dated September 12, 2003, Desminic and its senior lender entered into a forbearance agreement, whereby Desminic agreed that an initial event of default under the prepayment agreement occurred on August 27, 2003 when Desminic failed to make the scheduled prepayment amount. The loan amount outstanding at that time was \$3,021,649. Under the terms of the agreement, the senior lender agreed to defer up to five semi-monthly scheduled principal payments. Interest payments were maintained current. Fees for this forbearance agreement were calculated on a pro rata basis. The forbearance agreement was satisfied and terminated on September 26, 2003. Fees paid were \$58,712, plus the issuance by RNC to the senior lenders of 117,424 warrants to purchase common shares of RNC. One full warrant is exercisable for one common share of RNC at CAN\$2.25 until December 4, 2004 and CAN\$2.50 thereafter until expiry on December 4, 2005.

*Desminic bridge financing*

On June 2, 2003, Desminic entered into a bridge financing loan for \$1,500,000 with its senior lender. Interest on the loan was calculated at 10% per annum. Fees paid were \$125,000, plus the issuance by RNC to the senior lender of 310,000 warrants to purchase common shares of RNC. One full warrant is exercisable for one common share of RNC at CAN\$2.25 until December 4, 2004 and CAN\$2.50 thereafter until expiry on December 4, 2005. The bridge loan was repaid in its entirety on July 25, 2003.

| c |

Desminic and Hemco have various working capital loans with local Nicaraguan banks that total \$584,285 (RNC's 50% portion as at December 31, 2002 - \$317,521). The interest rates vary between 16% and 19% per year. The total amount of these loans is due within the next 12 months.

| d |

Desminic has various pieces of mobile mine equipment financed through Caterpillar Financial Inc. The loans are secured against the specific equipment to which the loans relate. Interest is calculated at LIBOR plus 4%. The loan payments are due as follows:

	\$
2004	1,291,106
2005	317,324
2006	86,221
2007 and beyond	-
Total	1,694,651

**12 DUE TO RELATED PARTIES**

	December 31, 2003 \$	December 31, 2002 \$
Leslie Coe (note 12(a))	1,307,984	1,180,887
RNC Management (note 12(a) and 12(b))	2,875,151	1,475,360
Minerales de Occidente (note 12(c))	526,015	177,171
	<b>4,711,050</b>	<b>2,833,418</b>

| a |

During May 2002, the shareholders of Desminic acquired through the Federal Depository Insurance Corporation liquidation of Hamilton Bank N.A., the Hamilton Bank N.A. loan to Desminic. The outstanding balance of the loan at the time of acquisition was \$10,934,140. The entire loan was acquired by the Desminic shareholders on a pro rata basis for \$2,484,767. A total of \$900,000, representing a portion of RNC's then 50% share of the loan acquisition cost was paid on RNC's behalf by RNC Management. The related amount payable from RNC to RNC Management accrues interest at 12% per annum.

Effective July 25, 2003, in connection with RNC's increase of its indirect interest in Desminic from 50% to 90% RNC acquired an additional 40% of the Desminic shareholder debt from Auric (note 5(a)). The 10% outstanding balance of the Desminic shareholder debt is owed to Leslie Coe, and individual who was a 10% shareholder in Desminic until September 17, 2003 (note 5(a)). The principal balance of \$1,093,414 owed to Leslie Coe represents 10% of the outstanding loan balance at the date of acquisition, and accrues interest at 12% per annum. Leslie Coe's 10% interest in the Desminic shareholder debt is secured by 10% of the assets and pledges of Desminic. The amounts owed with respect to the Desminic shareholder debt are as follows:

	December 31, 2003 \$	December 31, 2002 \$
Principal payable to Leslie Coe	1,093,414	1,093,414
Interest payable to Leslie Coe	274,470	87,473
Principal payable to RNC Management	900,000	900,000
Interest payable to RNC Management	176,533	72,000
	<b>2,384,417</b>	<b>2,152,887</b>

| b |

RNC Management is related to RNC as it is a private company owned by certain members of RNC's senior management. The amount owed to RNC Management with respect to mine equipment leasing and management services as discussed in note 19 is \$1,398,618 as at December 31, 2003 (RNC's 50% interest as at December 31, 2002 - \$503,360). These amounts are charged to Desminic at RNC Management's cost plus a 5% administrative charge. Outstanding amounts accrue interest at 12% per annum. In addition, Hemco owes RNC Management \$400,000 as reimbursement for costs incurred on RNC's initial acquisition of its 50% interest in Hemco. This amount is unsecured and non-interest bearing.

| c |

Minerales de Occidente ("Minerales") owns the San Andres mine in Honduras. RNC Honduras, a company whose shares are owned by certain members of RNC's senior management, owns 25% of Minerales. During the year ended December 31, 2003, Desminic purchased equipment from Minerales for \$842,239, representing the amount Minerales paid for the equipment. This obligation was satisfied through the cash payment of \$400,000, and a note payable for the outstanding balance. At December 31, 2003, Desminic owes Minerales \$442,239 (2002 - \$177,171) plus accrued interest at 12% totalling \$85,776. This amount is unsecured, bears interest at 12% per annum and has no fixed terms of repayment.

## [ notes to consolidated financial statements ]

for the years ended December 31, 2003 and 2002  
(expressed in U.S. dollars, unless otherwise stated)

**13. NON-CONTROLLING INTEREST**

On July 25, 2003, RNC increased its ownership in Hemco from 50% to 80%. The non-controlling interest in the net earnings of the joint venture prior to the date of the additional acquisition was \$nil, as Hemco was proportionately consolidated by RNC. In addition, Hemco was in a net deficit position at the date of the additional 30% acquisition. For the period July 25, 2003, the 20% interest in the net earnings of the mine was \$122,805.

**14. INCOME TAXES**

The Company uses the liability method to provide for future income taxes. Future income taxes arise from the recognition of the income tax consequences of the temporary differences by applying statutory income tax rates applicable to future years' differences between the financial statement carrying amounts and the income tax bases of certain assets and liabilities. The Company records a valuation allowance against any portion of those future income tax assets it believes will, more likely than not, fail to be realized. As at December 31, 2003, the cumulative income tax losses at Desminic and Hemco amounted to \$26,098,970 and \$6,954,556, respectively (December 31, 2002 - \$9,226,487 and \$7,527,298, respectively). The applicable income tax rate on the mine's earnings is 30%. RNC's portion of the income tax losses at December 31, 2002 was \$8,376,893. A valuation allowance has been applied against all of the above future income tax assets. These losses can be utilized through 2006 for Desminic, and 2005 for Hemco.

**15. CAPITAL STOCK**

## [ a ] Authorized

The Company is authorized to issue an unlimited number of common shares without nominal or par value.

## [ b ] Common shares issued and outstanding

	2003 Number of Shares	2003 \$ Amount	2002 Number of Shares	2002 \$ Amount
Balance - beginning of year	10,000	10,000	10,000	10,000
Issued during the year:				
For cash	5,652,492	5,851,934	-	-
For past services	778,022	1,005,700	-	-
For acquisitions	10,655,883	4,791,531	-	-
Reduction in share capital (note 15(c))		(5,50,903)	-	-
Balance - end of year	17,106,397	5,908,262	10,000	10,000

## [ c ] Summary of Capital Transactions

During the year ended December 31, 2003 the Company undertook the following transactions impacting the share capital of the Company:

*Desminic bridge financing*

On June 2, 2003, Desminic entered into a bridge financing for \$1,500,000 with its senior lender. Interest on this loan was calculated at 10% per annum. Fees paid were \$125,000, plus the issuance by RNC to the senior lender of 310,000 warrants to purchase common shares of RNC. Each warrant has a two-year term and is exercisable for one common share of RNC at an exercise price of CAN\$2.25 during year one and CAN\$2.50 during year two. This bridge financing was repaid from the proceeds of the July 25, 2003 financing. The 310,000 warrants were valued at \$90,619 using the Black Scholes option pricing model, a volatility of 80%, a risk-free interest rate of 3% and an expected dividend yield of 0%.

#### *Financing and asset purchases*

On July 25, 2003, RNC completed a financing for \$7,075,359, consisting of the issuance of a total of 5,367,500 units. Each unit was priced at CAN\$2.00 and consisted of one common share and one-half of one common share purchase warrant of RNC. One full warrant is exercisable for one common share of RNC at CAN\$2.25 until December 4, 2004 and CAN\$2.50 thereafter until expiry on December 4, 2005. As part of the compensation for this transaction, 400,000 broker warrants were issued. The 400,000 broker warrants were valued at \$116,000 using the Black Scholes option pricing model, a volatility of 80%, a risk-free interest rate of 3% and an expected dividend yield of 0%. The proceeds were used by RNC to:

- repay the bridge loan to a senior lender;
- increase its ownership in Desminic to 90%;
- increase its ownership in Hemco to 80%;
- acquire an option to earn 50% of the Cerro Quema gold project in Panama; and
- acquire an option to purchase a 25% interest in the San Andres mine in Honduras.

#### *Acquisition of RNC*

On July 25, 2003 RNC acquired the shares of RNC Resources in exchange for 6,620,000 common shares and 3,310,000 common share purchase warrants exercisable for two years at a price of CAN\$2.25 during year one and CAN\$2.50 during year two. With the acquisition of RNC Resources by RNC, RNC owns an option to acquire 25% of the San Andres mine in Honduras. There is no value assigned to this option.

#### *Additional Desminic purchase*

Effective September 17, 2003, RNC acquired the remaining 10% of Desminic for consideration of 700,000 units. Each unit was priced at CAN\$2.00 and consisted of one common share and one-half of one common share purchase warrant of RNC. One full warrant is exercisable for one common share of RNC at CAN\$2.25 until December 4, 2004 and CAN\$2.50 thereafter until expiry on December 4, 2005.

#### *Forbearance agreement*

In conjunction with the satisfaction and termination of the forbearance agreement on September 26, 2003 as described in note 11(b), RNC issued 117,424 warrants to its senior lenders. One full warrant is exercisable for one common share of RNC at CAN\$2.25 until December 4, 2004 and CAN\$2.50 thereafter until expiry on December 4, 2005. The 117,424 warrants were valued at \$97,070 using the Black Scholes option pricing model, a volatility of 80%, a risk-free interest rate of 3% and an expected dividend yield of 0%.

#### *Private placement*

On September 26, 2003, RNC completed a financing of CAN\$6,420,000 by issuing 3,210,000 units. Each unit was priced at CAN\$2.00 and consisted of one common share and one-half of one common share purchase warrant. One full warrant is exercisable for one common share of RNC at CAN\$2.25 until December 4, 2004 and CAN\$2.50 thereafter until expiry on December 4, 2005. As compensation, the agent received a fee of approximately 7%.

#### *Tango Acquisition*

On December 4, 2003, RNC acquired Tango Mineral Resources Inc. ("Tango"). At closing, the security holders of RNC received one New Tango share for each RNC share and one New Tango purchase warrant for each RNC purchase warrant. As a result of the above, the shareholders of Tango held 1,208,897 (7% of total) and 604,449 warrants while the RNC shareholders held 15,897,500 shares and 8,776,174 warrants (93% of total) immediately after the acquisition. One full warrant is exercisable for one common share of RNC for CAN\$2.25 until December 4, 2004 and CAN\$2.50 thereafter until expiry on December 4, 2005.

#### *Reduction in stated capital*

Effective December 2, 2003, the shareholders of the Company approved that the stated capital of the Company be reduced by the amount of \$5,750,903.

## [ notes to consolidated financial statements ]

for the years ended December 31, 2003 and 2002  
 (expressed in U.S. dollars, unless otherwise stated)

A summary of these transactions resulted in the following share structure for RNC:

Common shares \$	Number of common shares	Transaction	Date	Warrants \$	Number of warrants
10,000	10,000	Common shares outstanding	December 31, 2002	—	—
1,565,521	1,208,897	Tango agreement	May 12, 2003	175,290	604,449
—	—	Desminic financing	June 2, 2003	90,519	310,000
6,334,946	5,367,500	Financing and asset purchases	July 25, 2003	783,656	2,683,750
—	—	Broker warrants	July 25, 2003	116,000	400,000
—	6,610,000	Acquisition of RNC, net	—	—	3,310,000
—	—	Forbearance agreement	—	97,070	117,424
3,030,498	3,210,000	Private placement	September 26, 2003	1,328,040	1,605,000
718,200	700,000	Desminic purchase	—	289,800	350,000
(5,750,903)	—	Reduction in share capital	December 2, 2003	—	—
5,908,262	17,106,397			2,880,475	9,380,623

\$0.307/warrant.

The warrants issued at July 25, 2003 were valued at \$0.29 per warrant using the Black Scholes option pricing model, a volatility of 80%, a risk-free interest rate of 3% and an expected dividend yield of 0%.

The warrants issued at September 26, 2003 were valued at \$0.83 using the Black Scholes option pricing model, a volatility of 80%, a risk-free interest rate of 3% and an expected dividend yield of 0%.

## [ d ] Warrants

During the years ended December 31, 2003, common share purchase warrants were issued as follows:

	2003
	Number of Warrants
	Weighted Average Exercise Price \$
Balance – beginning of year	0
Issued	9,380,623
Balance – end of year	9,380,623

## [ e ] Stock Option Plan

The shareholders of the Company have approved a Stock Option Plan (the "Plan") that provides for the issue of up to 1,700,000 common shares of the Company to eligible employees, directors, officers and consultants of the Company and its affiliates.

The Plan authorizes the granting of options to purchase shares of the Company's common stock at an option price equal to or greater than the market price of the stock at the date of the grant. Options granted to employees, officers and consultants vest over two years – one third on the date of grant, one third one year from the date of grant, and one third two years from the date of grant. Options granted to external directors vest one-third on the date of grant, one third when the closing price of the common share value exceeds \$4.50 for seven consecutive days, and one-third when the closing price of the common shares exceeds \$6.00 for seven consecutive days. The options have a maximum term of 5 years. As at December 31, 2003, one third of all granted options had vested.

During the year ended December 31, 2003 stock options were granted as follows:

	2003
	Weighted Average Exercise Price
	Number of Options
Balance - beginning of year	0
Granted	1,497,000
Exercised	0
Balance - end of year	1,497,000

During the year ended December 31, 2003, the Company granted 1,497,000 stock options to employees, directors and officers. The fair value of these options was \$675,550 and this amount has been expensed as stock-based compensation.

The fair value of these stock options was estimated at the grant date based on the Black-Scholes option-pricing model, using the following assumptions:

Expected dividend yield	Nil
Average risk-free interest rate	4.0%
Expected life	2.0 years
Expected volatility	110%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

As at December 31, 2003 the following options were vested and outstanding:

Option Price \$	Number of Weighted Options	Weighted Average Remaining Contractual Life
3.00	499,000	4.9 years
	499,000	

#### | f | Weighted average common shares outstanding

For purposes of calculating loss per share for the years ended December 31, 2003 and 2002, the weighted average number of common shares outstanding has been retroactively adjusted for the 25 to 1 reverse stock split that took place in conjunction with the reverse takeover of Tango (note 15(c)).

#### | g | Contributed Surplus

	2003
Balance - beginning of year	0
Add: Stock options granted to employees, directors and officers	675,550
Balance - end of year	675,550

| notes to consolidated financial statements |

for the years ended December 31, 2003 and 2002  
*(expressed in U.S. dollars, unless otherwise stated)*

| h | Paid in capital

	2003
Balance – beginning of year	\$ 237,699
Add: Investment in Cerro Quema	\$ 237,699
Balance – end of year	\$ 237,699

**16 GOLD OPTION CONTRACTS**

Coincidental with the prepayment agreement entered into with the Company's senior lender, Desminic entered into a series of gold option contracts. For the period from April 2003 to February 2005, Desminic purchased put options (strike price ~ \$290) and sold call options (strike price - \$340) for 5,000 ounces of gold per month. At inception, the option contracts were not designated as hedges. As at December 31, 2003, the marked to market loss in the value of the remaining gold option contracts of 92,040 ounces was \$7,228,718 (December 31, 2002 - \$2,926,142).

**17 OTHER INCOME (COSTS)**

Other income (costs) are composed of the following:

	December 31, 2003	December 31, 2002
Legal expenses	1,025,855	-
Audit and tax related expenses	281,373	-
Consulting, broker, listing and regulatory costs	625,913	-
Stock based compensation expense	675,530	-
Foreign exchange losses (gains)	(74,765)	-
Other corporate costs	127,614	-
Other mine site non-operating costs	566,519	(279,446)
	<b>3,328,038</b>	<b>(279,446)</b>

**18 COMMITMENTS AND CONTINGENCIES**

The Desminic and Hemco production is subject to a minimum tax equal to a net 3.0% net smelter royalty ("NSR") on all production from these two properties.

In addition, Desminic is subject to a 2% NSR payable to Inversiones Mineras S.A., and the production of Hemco is subject to an additional 1% NSR payable to Auric Resources Corp.

Hemco is subject to annual surface taxes of \$207,458 payable to the Nicaraguan government.

From time to time, the Company is involved in various legal proceedings in the normal course of operations. The Company does not believe that any of these actions will have a material adverse effect on the Company's financial position.

**19. RELATED PARTY TRANSACTIONS**

Effective July 25, 2003, RNC Management and RNC Honduras ceased to be a part of RNC (note 4). Through RNC Management, RNC charged its joint venture partners as follows:

	Period from January 1, 2003 to July 25, 2003	Year ended December 31, 2002
		\$
Equipment rental	154,488	170,849
Management fees	1,385,461	879,999

RNC Management leases mining equipment to Desminic and provides technical and administrative management services to Desminic. The leasing and management services are provided to Desminic at cost plus a 5% administrative charge.

**20 SUPPLEMENTAL CASH FLOW INFORMATION****| a | Changes in non-cash working capital balances**

	December 31, 2003	December 31, 2002
		\$
Accounts receivable	(254,865)	(29,070)
Inventory	87,257	-
Accounts payable, interest payable and accrued liabilities	(71,152)	75,671
	<b>(87,893)</b>	<b>46,601</b>

**| b | Cash flow relating to interest and income taxes**

	December 31, 2003	December 31, 2002
		\$
Interest paid	979,696	150,096
Income taxes paid	-	-

**21 SEGMENTED INFORMATION**

RNC operates three reportable segments. The Desminic and Hemico mines are located in Nicaragua. The corporate segment is located in Canada and is responsible for exploration and business development and provides management, administrative and support services to RNC's other segments. The results of the corporate segment have been included in other income (expense) on the consolidated statements of operations.

Substantially all of the Company's revenues and property, plant and equipment are located in Nicaragua.

## [ notes to consolidated financial statements ]

for the years ended December 31, 2003 and 2002  
 (expressed in U.S. dollars, unless otherwise stated)

The segmented results of Desminic are as follows:

	December 31, 2003 \$	December 31, 2002 \$
Cash and cash equivalents	305,093	100,920
Other current assets	1,909,072	985,405
Total current assets	2,214,165	1,086,325
Property, plant and equipment, net	18,377,492	6,728,625
Total assets	20,591,657	7,814,950
Current liabilities	13,431,743	4,148,037
Other liabilities	6,645,140	6,704,223
Total liabilities	20,076,883	10,852,260

	Year ended December 31, 2003 \$	Period from February 28, 2002 to December 31, 2002 \$
Revenues	7,545,262	4,322,054
Expenses		
Operating costs	8,350,915	4,874,366
Amortization of property, plant and equipment	1,282,869	1,345,725
Interest expense	1,170,755	732,639
Reclamation and closure costs	1,352	13,622
Non-hedge derivative loss	5,582,745	1,463,071
Other costs	284,435	(1,070,059)
Total Expenses	18,675,255	7,359,364
Loss for the year	(11,129,993)	(3,037,310)

	Year ended December 31, 2003 \$	Period from February 28, 2002 to December 31, 2002 \$
<b>Cash provided by (used in)</b>		
Operating activities		
Loss for the period	(11,129,993)	(3,037,310)
Non-cash items		
Amortization of property, plant and equipment	3,282,869	1,345,725
Reclamation and closure costs	3,632	13,622
Non-hedge derivative loss	5,582,745	1,463,071
	<b>(2,260,547)</b>	<b>(214,892)</b>
Net change in non-cash working capital balances related to operations	(1,741,788)	83,258
	<b>(4,002,535)</b>	<b>(181,634)</b>
Investing activities		
Purchase of property, plant and equipment	(1,642,996)	(604,177)
	<b>(1,642,996)</b>	<b>(604,177)</b>
Financing activities		
Increase (decrease) in due to related parties	7,752,773	(553,621)
Increase (decrease) in debt	(1,932,769)	1,221,819
	<b>5,819,504</b>	<b>668,201</b>
Increase (decrease) in cash and cash equivalents	204,753	(67,610)
Cash and cash equivalents - Beginning of year	100,520	168,530
Cash and cash equivalents - End of year	<b>305,093</b>	<b>100,920</b>

The segmented results of Hemco are as follows:

	December 31, 2003 \$	December 31, 2002 \$
Cash and cash equivalents	61,708	14,675
Other current assets	2,435,697	1,578,023
Total current assets	2,497,405	1,592,698
Property, plant and equipment, net	7,523,619	516,360
Mineral properties	1,400,000	700,000
Total assets	8,421,024	2,809,058
Current liabilities	2,450,718	1,060,425
Other liabilities	3,685,802	1,984,046
Total liabilities	6,136,520	3,044,471
		Period from February 28, 2002 to December 31, 2002 \$
Revenues	7,270,105	3,020,512
Expenses		
Operating costs	6,370,206	2,899,537
Amortization of property, plant and equipment	214,317	62,736
Interest expense	706,252	3,038
Other costs	382,080	790,614
Total Expenses	7,672,855	3,255,925
Net income (loss)	(402,750)	(235,413)

| notes to consolidated financial statements |

for the years ended December 31, 2003 and 2002  
*(expressed in U.S. dollars, unless otherwise stated)*

	Year ended December 31, 2003 \$	Period from February 28, 2002 to December 31, 2002 \$
Cash provided by (used in)		
Operating activities		
Net income (loss)	(402,750)	(235,413)
Non-cash items		
Amortization of property, plant and equipment	214,317	62,736
	<b>(188,433)</b>	<b>(172,677)</b>
Net change in non-cash working capital balances related to operations	18,934	(36,659)
	<b>(169,599)</b>	<b>(209,336)</b>
Investing activities		
Purchase of property, plant and equipment	(143,868)	(119,002)
Financing activities		
Increase in due to related parties	324,135	106,159
Increase in senior debt	46,365	157,174
	<b>360,500</b>	<b>263,333</b>
Increase (decrease) in cash and cash equivalents	47,033	(65,005)
Cash and cash equivalents - Beginning of year	14,575	79,680
Cash and cash equivalents - End of year	<b>61,708</b>	<b>14,675</b>

The segmented results of the corporate head office are as follows:

	December 31, 2003 \$	December 31, 2002 \$
Cash and cash equivalents	137,478	-
Other current assets	123,262	-
Total current assets	<b>260,740</b>	-
Mineral properties	2,059,013	-
Total assets	<b>2,319,753</b>	-
Current liabilities	3,717,280	-
Total liabilities	<b>3,717,280</b>	-

	Year ended December 31, 2003	Period from February 28, 2002 to December 31, 2002 \$
<b>Revenues</b>		
Expenses		
Legal	1,025,855	
Audit and tax	281,373	
Consulting, broker, listing and regulatory	625,913	
Stock based compensation	675,530	
Foreign exchange	(74,766)	
Other	122,614	
<b>Total Expenses</b>	<b>(2,661,519)</b>	
<b>Loss for the year before discontinued operations</b>	<b>(2,661,519)</b>	
<b>Net income (loss) from discontinued operations</b>	<b>683,415</b>	<b>(573,831)</b>
<b>Loss for the year</b>	<b>(1,978,104)</b>	<b>(573,831)</b>

	Year ended December 31, 2003	Period from February 28, 2002 to December 31, 2002 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss for the year before discontinued operations	(2,661,519)	
Non-cash items		
Broker warrants and stock based compensation expense	979,239	
	(1,682,280)	
Net change in non-cash working capital balances related to operations	844,020	
	(838,260)	
<b>Investing activities</b>		
Investments in Cerro Quema	(58,855)	
Acquisition of property interests	(180,000)	
	(238,856)	
<b>Financing activities</b>		
Increase in due to related parties	(6,229,171)	
Cash proceeds of private placements (net)	7,443,765	
	1,214,594	
Increase (decrease) in cash and cash equivalents	137,478	
Cash and cash equivalents - Beginning of year	-	
Cash and cash equivalents – End of year	<b>137,478</b>	

[ notes to consolidated financial statements ]

for the years ended December 31, 2003 and 2002  
(expressed in U.S. dollars, unless otherwise stated)

**22 SUBSEQUENT EVENTS**

| a |

Consideration for the July 25, 2003 asset acquisitions (note 5(a)) included a commitment to pay the vendor \$2,750,000 on or before June 30, 2004. As part of the transaction, the vendor agreed that if the common shares of RNC paid in consideration to the vendor were sold for a net price of more than CAN\$2.00 per share, the difference would reduce the June 30, 2004 commitment. These securities were sold on January 7, 2004 for a net price of CAN \$2.76 per share, resulting in a reduction of the purchase price payable of approximately \$980,000.

The reduction in the purchase price payable will be recorded as an increase in contributed surplus in the first quarter of 2004.

| b |

In January 2004, certain of RNC's investors exercised 678,732 share purchase warrants at an exercise price of CAN \$2.25 per share. The exercise resulted in cash proceeds of approximately \$1,200,000 to RNC. Following the exercise, as at January 31, 2004, RNC had 17,785,223 common shares outstanding and 28,146,211 common shares outstanding on a fully diluted basis.

| c |

Effective February 12, 2004, RNC reached a definitive agreement to purchase an additional 50% of the Cerro Quema gold project in Panama in exchange for 900,000 common shares of RNC, 450,000 warrants of RNC, a payment of \$260,000 and a second payment of \$350,000 when RNC receives final regulatory permits. Each warrant has a two-year term and is exercisable for one common share of RNC at an exercise price of CAN\$2.25 during year one and CAN\$2.50 during year two. The \$260,000 portion of the cash consideration was paid February 12, 2004, and increased RNC's investment in mineral properties. The non-cash consideration was issued on closing of the transaction in April 2004.

| d |

During April 2004, RNC purchased 100% of the Santo Domingo exploration and exploitation rights located within the boundaries of RNC's La Libertad mine. The purchase was affected through the payment of \$230,000 cash at closing, and a commitment to pay \$130,000 on commencement of production as well as a 2% net smelter royalty on production from the Santo Domingo concessions. The purchase price increased RNC's investment in mineral properties.

| e |

During March 2004, the Company signed a letter of intent to acquire the 20% interest in Hemco that RNC does not already own. The consideration of this transaction will be 855,000 common shares of RNC. This transaction will result in eliminating the minority interest in Hemco.

| f |

During April 2004, RNC signed a letter of intent to acquire an additional 25% of the Picachos property in Mexico. The purchase price will be satisfied through the payment of CAN\$46,000 and the issuance of 30,000 common shares of RNC. Following this transaction, RNC will own 75% of the Picachos property with the right to acquire the remaining 25% by incurring approximately \$1 million in exploration expenditures on the property.

| g |

Effective April 27, 2004, RNC completed a private placement financing for gross proceeds of CAN\$20.24 million. A syndicate of underwriters purchased 10,120,000 units at a price of CAN\$2.00 per unit. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each common share purchase warrant is exercisable for one common share of RNC at a price of CAN\$2.50 for a period of two years. The net proceeds of the financing will be used to repay debts, fund exploration, acquire properties, and for general working capital purposes. In connection with this financing, approximately CAN\$1,977,913 and an additional 1,584,323 units were placed in escrow to satisfy existing related party debt obligations.

**DIRECTORS**

**Wayne G. Beach (1)(2)**  
*Partner, Beach Hepburn LLP*

**J. Randall Martin (4)**  
*President and Chief Executive Officer  
RNC Gold Inc.*

**Thomas W. Lough (2)(3)**  
*Chief Financial Officer  
RNC Gold Inc.*

**Kabir Ahmed (1)(2)(3)**  
*President and Chief Executive Officer  
Northwestern Mineral Ventures Inc.*

**Leslie E. Coe(4)**  
*President, Desarrollo Minera de Nicaragua, S.A.  
President, Hemco de Nicaragua, S.A.*

**Paul C. M. Roberts (1)(2)(3)(4)**  
*President, Minvest Inc.*

- (1) Audit Committee
- (2) Nomination and Corporate Governance Committee
- (3) Compensation Committee
- (4) Environmental, Health & Safety Committee

**OFFICERS**

**J. Randall Martin**  
*President and Chief Executive Officer  
Director*

**Thomas W. Lough**  
*Chief Financial Officer  
Director*

**Denis Francoeur**  
*Vice President, Exploration*

**Charles L. K. Higgins**  
*Secretary*

**CONTACTS:**

**Corporate:**  
RNC Gold Inc.  
Suite 208, 8 King Street East,  
Toronto, Ontario, Canada, M5C 1B5  
Phone: (416) 365-9777  
Fax: (416) 365-1828

**AUDITORS:**

PricewaterhouseCoopers LLP  
Toronto, Ontario, Canada

**TRANSFER AGENT:**

Equity Transfer Services Inc.  
Toronto, Ontario, Canada

**INVESTOR RELATIONS:**

Please direct inquiries and shareholder requests for information or assistance to:

**Martti Kangas**  
The Equicom Group  
Phone: 416-815-0700 Ext. 243

Fax: 416-815-0800  
mkangas@equicongroup.com  
or

**T.W. Lough**  
Chief Financial Officer  
RNC Gold Inc.  
Phone: 416-365-9777  
tlough@rncgold.com  
or

**J. Randall Martin**  
President and Chief Executive Officer  
RNC Gold Inc.  
Phone: 416-365-9777  
rmartin@rncgold.com

**MARKETS:**

The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "RNC". The Company's warrants are listed on the TSX under the symbol "RNC.WT".

RNC Gold Inc. 8 King Street East, Suite 208, Toronto, Ontario, M5C 1B5

T 416-365-9777

F 416-365-1828

[www.rnccgold.com](http://www.rnccgold.com)



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